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CENTRAL INTELLIGENCE AGENCY
Office of Current Intelligence
7 May 1964

CURRENT INTELLIGENCE MEMORANDUM

SUBJECT: The Panamanian Situation

1. There are two basic and related factors in the current situation in Panama which could with little warning erupt into violence much more damaging to US interests even than the riots of last January. These factors are the increasing fragility of the social order in Panama and the very strong national consensus that has developed in Panama demanding a basic revision of the Canal arrangements with the US. These two factors are related because the latter is being exploited in an effort to divert public attention from the former. Whatever the outcome of next Sunday's elections, these explosive factors will remain--unless election violence provides the spark that sets off the highly combustible situation.

2. The entrenched oligarchy that has dominated the political and economic life of the country since independence is probably as rotten as any in this hemisphere. Panamanian presidents, though often described as "relatively" honest personally, are characteristically placed in power for the prime purpose of protecting the interests of the oligarchy; corruption and chicanery of all sorts is accepted as a matter of course within the government and presidents are too controlled by their backers to change this system. There is little hope for any significant progress in any field in Panama while this group remains in power.

3. In recent years, and especially during the past several months, there has been noticeable growth in popular resentment against the oligarchy. It is now widespread especially among the lower economic classes in the country. This is part of the basis

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for the political strength of the front-running presidential candidate, Arnulfo Arias, who is basing his campaign on opposition to the oligarchy. It is problematical whether Arias would take any effective action to reduce the power of the oligarchy if he is permitted to become president, but his campaigning has focused popular attention on this issue and has further aroused the fears of the oligarchs, who are pulling out all stops in a desperate effort to defeat him.

4. The oligarchy--and with it those upper class Panamanians linked to it--is frightened. Rumors of an impending general uprising in Panama City against the oligarchy periodically arise. US Ambassador Vaughn recently reported that he could not discount this possibility.

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bers of the oligarchy are buying substantial quantities of weapons and developing plans to defend their homes against mob attacks. Many of them, [REDACTED] have sent their families to their country homes or abroad.

5. In their desperation to maintain their threatened hold on power, the politicians of the oligarchy have formed seemingly incongruous alliances with extreme leftists and Communists. The latter, who seem to recognize that they stand to gain from the continuation for a while longer of the decaying power structure, perform useful services for the oligarchy. They control a certain number of votes and many of them are effective agitators and campaigners. For instance, the rabble rousing pro-Castro deputy in the National Assembly, Thelma King, is running for reelection on the ticket of a party supporting one of the oligarchy's two presidential candidates. Another example is the recent deal between presidential candidate Marco Robles and pro-Castro Socialist party leader Carlos Ivan Zuniga, who is running for deputy in Chiriqui Province. Robles is believed to have supplied Zuniga with campaign money in return for the latter's agreement to launch a strong campaign against Arnulfo Arias. Thus both Robles and Zuniga hope to strengthen their chances in the Chiriqui, Arnulfo Arias' home province.

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6. Perhaps even more dangerous than these tactical alliances which the oligarchy has resorted to for shortrange advantage is the presence of assorted leftist opportunists and extremists in many second-echelon jobs throughout the bureaucracy and in public information media. These people, few of whom can be definitively identified as Communists, are nevertheless amenable to Communist and pro-Castro influence. They are already on the fringes of power, strategically situated in the event of the collapse of the old order. Men in this category have risen to new positions of influence since the January riots and President Chiari has given some of them direct responsibility in carrying on current negotiations with the United States.

7. It is in this context that the very strong national concensus insisting on basic changes in the US Canal arrangements takes on added importance. The mood of angry nationalism that swept the country earlier this year is still very near the surface and the Canal issue is the one issue that draws together all Panamanians of all socio-economic classes. The politicians of the oligarchy, who have long been adroit in diverting popular resentments away from themselves and against the United States, still find this issue a most useful one in their attempts to strengthen their threatened positions of power. The Canal issue is also a most promising issue for the radical leftists who have already enhanced their influence and secured positions of potential power through their shrewd manipulation of the fears of the oligarchy.

8. To summarize, it seems evident that all the elements for a serious explosion very damaging to US security interests in the Canal Zone are currently present. It is impossible to estimate what form this potential explosion might take, or its timing. It could occur in connection with next Sunday's election, or anytime between then and inauguration day next October. Through some fortuitous and still undiscernible set of circumstances it may never occur. But as of this writing the situation looks most ominous.

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